

FORTH PORTS PLC



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Press Information

11th September 2006

RESULTS FOR THE HALF YEAR ENDED 30TH JUNE 2006

Financial Highlights

- Group revenue up 14% to £72.2m (2005: £63.2m)
 - Port revenue up 9% to £68.1m (2005: £62.4m)
 - Property revenue £4.1m (2005: £0.8m)
- Port operating profit up 8% to £14.7m (2005: £13.6m)
- Property operating profit £2m (2005: loss of £0.3m)
- Profit before tax up 19% to £12.9m (2005: £10.8m)
- Basic earnings per share up 21% to 19.9p (2005: 16.5p)
- 5% increase in interim dividend to 15p (2005: 14.3p)

Operational Highlights

Ports

- Further growth in ports' business – operating profit up 8%
- Stronger performance at Tilbury, reflecting tonnage build-up from Stora Enso and improved profitability per acre
- Continued container growth at Grangemouth

Property

- In-house property team strengthened following recent appointments
- Appointment of RTKL as masterplanner for the Hub at Leith
- Royal Assent granted for the new tram line to improve connectivity with city centre and airport
- New masterplan submitted for Granton Harbour
- Edinburgh Waterfront Development Partnership Board established with City Council

Outlook

- Customer maintenance shutdowns in July and August will affect piped cargo volumes in second half
- Steady performance in ports overall
- Medium term prospects underpinned by strong project pipeline and growing returns on recent projects
- Continued progress on initiatives to maximise long-term value in property.

Charles Hammond, Group Chief Executive, said:

“Following a strong first half performance, we now expect a steady overall performance in the ports division for the full year. Forth Ports continues to examine a large number of potential new capital projects which, together with improvements in returns from more recently completed port investment projects, should give good organic growth in the ports' business over the next few years. In property, we have commenced work on a number of initiatives which we believe will maximise long-term value. Overall, we remain confident that the Group has many opportunities ahead to create future value for shareholders.”

Enquiries:

Charles Hammond, Group Chief Executive Wilson Murray, Group Finance Director	Forth Ports PLC	Tel: 0207 404 5959 on 11.09.06 Thereafter 0131 555 8700
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Notes to Editors:

Forth Ports PLC owns and operates seven commercial ports in the UK – Tilbury on the Thames, Dundee on the Tay Estuary and five in the Firth of Forth - Leith, Grangemouth, Rosyth, Methil and Burntisland. It has a 50% equity stake in Multi-Link Terminals Limited, a container terminal operator in Helsinki and Kotka in Finland and St. Petersburg in Russia.

Within and around the Forth and Tay Estuaries, Forth Ports manages and operates an area of 280 square miles of navigable waters, including two specialised marine terminals for oil and gas export and provides other marine services, such as towage and conservancy.

The Group also has significant property interests which it continues to develop as part of its commitment to increase shareholder value.

CHAIRMAN'S AND GROUP CHIEF EXECUTIVE'S REPORT

Group revenue increased by 14% to £72.2m (2005 - £63.2m). Group operating profit amounted to £16.7m compared with £13.3m in 2005. The profit before tax increased by 19% to £12.9m (2005 - £10.8m). Basic earnings per share increased by 21% to 19.9p (2005 - 16.5p).

The Board has approved an interim dividend up 5% to 15p per share (2005 - 14.3p). The interim dividend will be paid on 3rd November 2006 to shareholders on the register at 13th October 2006.

Review of Ports' Business

Revenue from the ports' business increased by 9% to £68.1m compared with £62.4m in the first half of 2005. The operating profit increased by 8% to £14.7m (2005 - £13.6m). Within operating costs, fuel and utility costs increased by £0.4m in the first half of 2006 compared with the equivalent period in 2005; severance costs amounted to £0.2m (2005 - £0.1m); the Long-Term Incentive Plan costs increased by £0.1m and the total pension cost charged to the income statement amounted to £2.7m (2005 - £3.2m inclusive of past service pension cost of £1m).

Total dry cargo tonnage increased by 13% and amounted to 6.9 million tonnes; piped cargo tonnage decreased to 14.3 million tonnes (2005 - 15.7 million tonnes) giving a total throughput of 21.2 million tonnes compared with 21.8 million tonnes in 2005.

Since the start of the second half, there have been significant and unexpected customer maintenance shutdowns which affected Grangemouth, Hound Point and, to a lesser extent, Braefoot. The effect of these shutdowns will result in piped cargo volumes being lower than expected in the second half.

Tilbury

Tilbury's improved financial performance benefited from the quality of its long-term customer contracts and further progress was made in improving its profitability per acre. Total tonnage increased marginally to 3.7 million tonnes which reflected the inclusion for the first time of tonnage from the Stora Enso Distribution Centre. However, this was offset by an overall reduction of 0.2 million tonnes in the grain business of which 60% represented the previously announced decision by Cargill to close their mill at Tilbury in the last quarter of 2005. Far Eastern timber tonnages were down by 45% in the first half of the year due principally to the timing of vessel arrivals and motor vehicle imports were also down by just under 10%.

Short Sea container volumes increased marginally. Although the volumes through our associated company Tilbury Container Services Limited ("TCS") saw a slight decrease, there was an increase of 13% in that company's profit before tax which arose from a combination of improved revenue from ancillary charges and greater control over variable costs. TCS is in discussions with a number of potential new customers over additional business.

The Stora Enso facility saw a gradual improvement in the monthly throughputs during the first half of 2006 following the effects of the Finnish paper dispute last year. This is expected to continue into the second half. There were also improvements in the overall operations at the Terminal. The customer's stock levels continue to be unusually high, but we are providing them with additional short-term storage space as tonnages continue to build.

Contracts have been successfully renegotiated with Contipac, MLM, Stanton Grove and Travis Perkins. It was announced in June that a contract had been signed with Ferryways to operate a new daily ro-ro service between Tilbury and Ostend. Volumes are building up on this service together with the DFDS ro-ro volumes to Scandinavia. We continue to market the port to various companies which have shown interest in utilising Tilbury as the premier logistics hub for the 2012 Olympics. We are progressing plans for the further development of Tilbury's riverside for unitised cargo.

The second half of the year should see an improvement in Far Eastern tonnages and Hyundai traffic as well as an increase in container throughput although grain tonnages are likely to remain at a lower level.

Tilbury has agreed a new long-term contract with an existing customer, CEMEX, for a new grinding and blending facility, subject to planning permission. If approved, the facility should come on stream in 2008 and would involve the port in an investment, over the next eighteen months, of over £2m leading to a significant increase in bulk cementitious throughputs. As a consequence of the current layout of the new facility there could be an impairment cost in the second half of the year of £0.3m to write off the carrying value of an existing shed which would have to be demolished.

Over the last few months, tests have been carried out to determine the economic feasibility of erecting large wind turbines at Tilbury to provide electricity for port and third party use. Early indications are that the wind trials have been successful. The project is still subject to further review, but if it meets our normal investment criteria and is approved, the capital cost will range between £7m and £10m depending on the number of turbines erected.

Overall, the pipeline of new projects and potential new business for Tilbury remains active and is encouraging.

Scottish Ports

Total tonnage increased by over 6% to 6.5 million tonnes (2005 - 6.1 million tonnes). The main reason for the increase was the new coal traffic through Leith which amounted to 0.6 million tonnes in the first half of 2006 compared with 0.1 million tonnes in 2005.

Grangemouth

The throughput in the first half of 2006 amounted to 4.3 million tonnes, down marginally against the equivalent period in 2005. The container volumes increased by 9% to reach 67,440 boxes at the half year. Piped cargo volumes were down marginally, but will be affected more in the second half by the customer maintenance shutdowns.

The final phase of the container terminal expansion project gathered momentum in the first half of 2006 with the delivery of the second ship-to-shore gantry crane, which became operational in August. At the same time, a new shift system has been introduced which should improve operational efficiency but which has resulted in additional training costs in the first half of the year. The full benefits of the new method of working will only be achieved towards the end of 2006 with the introduction of an all straddle carrier fleet to service the cranes as opposed to a mix of straddle carriers and container movers.

The outlook for the second half is one of continuing growth in container throughput but not at as high a level as previously expected. The port won some additional paper business and has continued to handle reasonable volumes of pulp going into the second half but timber volumes are expected to be lower.

Given the very large increase in container traffic at Grangemouth in the past five years, there is significant potential to develop a large distribution park facility linked to the port. The Group owns existing land of 70 acres which could be increased by a further 15 acres if the adjoining water area was infilled. In view of the level of interest which has been shown, we are preparing a masterplan for this site.

Leith

The throughput at Leith amounted to 1.1 million tonnes compared with 0.7 million tonnes in 2005 with the increase in tonnage being accounted for by additional coal traffic. As expected, steel pipes and iron ore tonnages were down from 0.3 million tonnes to 0.2 million tonnes with other traffic being broadly neutral. The second half of the year should see further increases in coal traffic but very little steel pipe traffic compared with over 0.5 million tonnes in 2005 due to the mothballing in August of the Bredero Shaw facility. The longer term outlook for coal tonnages remains positive given the extended life of the Cockenzie Power Station.

During the first half, we continued to review the opportunities to be gained from a new deepwater cruise liner facility based in Scotland's capital city outside the existing port. Cruise operators are showing considerable interest in a new facility which could accommodate large vessels which are too big to enter the lock gate at Leith. Following an economic impact assessment which has shown a new facility could generate over £40m of tourism revenue annually for Edinburgh and the Lothians, we have now initiated a technical study to look at the options.

Dundee

Dry cargo tonnage increased by nearly 17% to reach 0.3 million tonnes with tonnage increases being seen in paper and pulp, animal feed, fertiliser and North Sea oil-related traffic.

Dundee has been successful in attracting two new customers in the first half of 2006, Crown Timber and Broste. The Crown Timber agreement is for a period of ten years. Star Shipping, which started using the port in 2005, is now a regular caller.

Rosyth and Fife Ports

Tonnages increased from 0.4 million tonnes to 0.6 million tonnes, the increase being attributable to coal traffic. The ferry service to Zeebrugge, which is now on a three times per week sailing schedule, has maintained the same level of traffic. The current operator, Superfast, has announced the sale of the existing vessel on the route and its intention to replace it with an alternative vessel. We are in discussions with other parties who are looking at the possibility of putting on a freight only service from Rosyth to the Continent.

Piped Cargo

Piped cargo at both Hound Point and Braefoot saw reductions in 2006 compared with 2005 with Hound Point achieving 9.5 million tonnes (2005 - 10.3 million tonnes) and Braefoot 1.5 million tonnes (2005 - 1.8 million tonnes). Since the end of June, throughput has been affected by unexpected maintenance shutdowns and there is likely to be a further reduction in throughput in the second half of the year. The Buzzard Field is still expected to come on stream in the last quarter of 2006 which should result in increased tonnages in the following year and beyond.

The Maritime and Coastguard Agency ("MCA") confirmed its approval to the Ship-to-Ship Oil Spill Contingency Plan on 25th August 2006. As the Competent Authority, Forth Ports is required to carry out its own review of the proposals which should be concluded in the last quarter of the year. There will then be a period of further discussion with interested parties prior to a final decision being taken by the Company.

Multi-Link Terminals Limited Group ("MLT")

Our joint venture company, MLT, saw another significant increase in volumes at Litke Bay, St. Petersburg, where the total number of lifts amounted to 38,000 (2005 - 29,000). A new ship-to-shore gantry crane and two rubber tyred gantry cranes have been ordered with the latter expected by the end of this year and the former by mid 2007. These should increase the operational efficiency of the terminal significantly.

The second stage of the terminal was officially opened in October 2005; we are awaiting the necessary approvals to use the quay for the import/export of containers. In the meantime, the facility is being used for the movement and storage of containers. Two new customers, Teamlines and Unifeeder, commenced calls at Litke Bay towards the end of June and so the second half of the year should see the benefit of the build up of this traffic.

Operations at Kotka were satisfactory, however, at Helsinki, container volumes declined as a result of the decision by Containerships to reduce its transshipment calls at Helsinki and call directly at Litke Bay.

The outlook for the second half is for further improvement in volumes compared with the first half.

Property

Property operating profits in the first half amounted to £2.0m (2005 - loss of £0.3m) which mainly reflected the sale of the Asda supermarket site in Grangemouth and income from a joint venture company. Infrastructure spend in the first half of the year was just over £4m.

The property team has been strengthened over the last few months with a series of new appointments. This will give us greater in-house capability to initiate and execute property projects.

The property team has been focused on several major initiatives in the first half of the year. Work continued on the Leith Docks Development Framework ("LDDF"). As the first "villages" within the LDDF will be centred around the Hub, the outline planning application will reflect this and should be submitted during the first half of 2007. Strategically, the most significant initiative was the invitation to international firms to tender for the role as masterplanner for the Hub at Leith. After an intensive round of presentations and discussions, RTKL was selected. RTKL has very wide masterplanning and urban regeneration experience and was responsible for the masterplanning of Baltimore Inner Harbour in the United States. The proposal is to complete the masterplan of the Hub area within twelve months and submit an outline planning application, supported by a detailed masterplan, in the second half of 2007.

The City of Edinburgh Council ("the Council") has set up a Waterfront Development Partnership Board ("WDPB") to formulate policy relating to the longer term regeneration of the whole of Edinburgh's Waterfront. We are delighted to be involved with the WDPB which we believe will allow regeneration to happen at a faster pace.

The revised masterplan for Granton has been the subject of extensive discussions with the planning officials and has recently been lodged with the Council.

Royal Assent for the tram line between Leith, Princes Street and Edinburgh Airport was granted in the first half of the year. The current estimate is that work could commence on the tram towards the end of 2007 with it being operational after testing in 2011.

The reserved matters application submitted by Asda for its development at Newhaven has not yet been determined. It is unlikely that this sale will be concluded before the year end.

The Group continues to keep its capital structure under review in the light of developments such as the Real Estate Investment Trust ("REIT") legislation. While it appears that the REIT legislation may currently be of limited relevance to the Group, consideration is being given to putting the property assets into a more unified structure which will allow such opportunities to be examined at a later date as the regeneration of the Waterfront progresses.

Finance

As foreshadowed in the annual results, the 2005 interim results have been restated to reflect the Group's share of the pension deficit within TCS and also the taxation treatment of trade and other receivables under IAS 32 (Financial Instruments: Disclosures and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) at that date. The effect of these two issues amounted to £2.9m in relation to the pension liabilities and £1.5m for current taxation. There was no effect on the Income Statement.

With effect from 30th June 2006, the assets and liabilities of the Port of Tilbury London Limited Pension Fund have been transferred into The Forth Ports Group Pension Scheme ("the Scheme"). As a consequence, Forth Ports paid an additional £3m into the Scheme as agreed with the Trustees.

The actuarial deficit under IAS 19 (Employee Benefits) amounted to £26.7m compared with £40.7m at 30th June 2005 and £36.3m at 31st December 2005. This reduction reflects the benefit of increased company contributions being made from December 2005 including the additional payment referred to earlier. It is also due to the favourable movement in the discount rate used to measure the liabilities (5.25% at 30th June 2006 versus 4.9% at 31st December 2005).

The rate of corporation tax for the year is expected to be approximately 30% (2005 - 24.6%) in part as a result of the abolition of the advantageous tonnage tax on our towage profits being replaced by normal corporation tax which is estimated to account for an additional £0.5m of chargeable tax in 2006 compared with 2005.

The cash inflow generated from operations amounted to £24.5m (2005 - £17.3m). Realisations from property receivables accounted for £11.7m; £4.2m was spent on property infrastructure costs. The cash outflow on capital expenditure in the half year amounted to £12.3m (2005 - £16.3m).

The net debt amounted to £186.5m at 30th June 2006. The level of gearing at 30th June 2006 was 76% (2005 - 90%) which principally reflects the effect of the uplift in valuation of the investment properties carried out at the year end. Interest cover, measured on net interest payable excluding the effects of the unwinding of discount on zero coupon loan stock and long-term receivables, was 3.3 times covered (2005 - 3.4 times). The latter figure was struck after taking account of capitalised interest of £0.8m (2006 - £nil).

Prospects

The seasonal bias of the ports' business will again result in an improved performance in the second half compared with the first half. With the shutdowns in July and August, piped cargo will decline further in the second half, resulting in trading since the end of the half year being at a lower level than expected. Overall, performance within the ports division is now expected to remain steady.

In property, the emphasis in the second half of the year will be to progress the masterplan for the Hub, the LDDF outline planning application and improve the environment at the developments at Western Harbour and Granton. It is unlikely that there will be any further property sales before the year end.

Forth Ports continues to examine a large number of potential new capital projects which, together with improvements in returns from more recently completed port investment projects, should give good organic growth in the ports' business over the next few years. In property, we have commenced work on a number of initiatives which we believe will maximise long-term value. Overall, we remain confident that the Group has many opportunities ahead to create future value for shareholders.

Christopher Collins
CHAIRMAN

Charles Hammond
GROUP CHIEF EXECUTIVE

11th September 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Group revenue	4	72.2	63.2	151.5
Cost of sales		(44.7)	(40.2)	(96.7)
Gross profit		27.5	23.0	54.8
Administrative expenses		(10.8)	(9.7)	(20.5)
Other income		-	-	28.5
Group operating profit	4	16.7	13.3	62.8
Finance income	4,5	1.8	2.4	4.6
Finance costs	4,5	(5.5)	(4.4)	(10.8)
Share of results of joint ventures	4,6	(1.0)	(1.2)	0.5
Share of results of associates	4,7	0.9	0.7	1.2
Profit before tax	8	12.9	10.8	58.3
Taxation	9	(3.9)	(3.3)	(13.9)
Profit for the period		9.0	7.5	44.4
Profit/(loss) attributable to minority interest		0.0	(0.0)	0.1
Profit attributable to equity shareholders		9.0	7.5	44.3
		9.0	7.5	44.4
Earnings per share				
Basic earnings per share	10	19.9p	16.5p	97.6p
Diluted earnings per share	10	19.7p	16.4p	97.1p

Details of dividends are shown in Note 15.

All results relate to continuing activities.

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 restated £m	Audited year to 31.12.05 £m
Share of joint venture's movement on cash flow hedge	0.7	(0.3)	0.2
Share of associate's movement on cash flow hedge	0.0	(0.0)	(0.0)
Corporation tax relief on excess pension contributions	-	-	0.7
Deferred tax on excess pension contributions	-	-	(0.7)
Actuarial gains/(losses) in defined benefit pension schemes	7.1	(17.7)	(16.2)
Deferred tax on actuarial gains/(losses)	(2.1)	5.5	4.9
Share of associate's actuarial gain/(loss) in defined benefit pension scheme	0.6	(0.8)	(0.1)
Deferred tax on associate's actuarial gain/(loss)	(0.2)	0.2	0.0
Income/(expense) recognised directly in equity	6.1	(13.1)	(11.2)
Profit for the period	9.0	7.5	44.4
Total recognised income/(expense) for the period	15.1	(5.6)	33.2
Attributable to:			
Minority interest	0.0	(0.0)	0.1
Equity shareholders	15.1	(5.6)	33.1
	15.1	(5.6)	33.2
IAS 32 / IAS 39 adoption:			
Retained earnings		(3.2)	(3.2)
Fair value reserves		(1.8)	(1.8)
Equity shareholders		(5.0)	(5.0)
Minority interest		(0.3)	(0.3)
		(5.3)	(5.3)
Total recognised (expense)/income since last annual report		(10.9)	27.9
Attributable to:			
Minority interest		(0.3)	(0.2)
Equity shareholders		(10.6)	28.1
		(10.9)	27.9

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited as at 30.6.06 £m	Unaudited as at 30.6.05 restated £m	Audited as at 31.12.05 £m
ASSETS				
Non-current assets				
Property, plant and equipment	11	208.6	205.9	206.9
Investment property	11	135.5	109.5	137.5
Intangible assets	11	4.0	3.9	4.2
Investment in joint ventures		25.9	24.1	26.3
Investment in associates		6.2	3.4	4.4
Trade and other receivables		25.6	42.4	31.6
Deferred tax assets		8.0	12.2	10.9
		413.8	401.4	421.8
Current assets				
Inventories		44.5	45.2	39.6
Trade and other receivables		56.1	53.0	56.8
Cash and cash equivalents	14	4.9	5.9	4.7
		105.5	104.1	101.1
Current liabilities				
Trade and other payables		(21.0)	(32.1)	(26.0)
Current tax liabilities		(1.9)	(1.0)	-
Borrowings	14	(0.0)	(0.0)	(0.0)
Provisions		(1.3)	(0.5)	(1.6)
		(24.2)	(33.6)	(27.6)
Net current assets		81.3	70.5	73.5
LIABILITIES				
Non-current liabilities				
Borrowings	14	(191.4)	(196.2)	(184.3)
Investment in joint venture		(0.5)	-	-
Deferred tax liabilities		(29.7)	(23.1)	(30.4)
Retirement benefit obligations		(26.7)	(40.7)	(36.3)
Provisions		(0.5)	(0.6)	(0.4)
		(248.8)	(260.6)	(251.4)
Total assets less total liabilities		246.3	211.3	243.9
SHAREHOLDERS' EQUITY				
Share capital		22.8	22.8	22.8
Share premium		18.2	18.2	18.2
Own shares held		(5.4)	(5.4)	(5.4)
Fair value and other reserves		17.1	15.9	16.4
Retained earnings		189.4	155.7	187.7
Total shareholders' equity		242.1	207.2	239.7
Minority interest in equity		4.2	4.1	4.2
Total equity	12	246.3	211.3	243.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Cash flows from operating activities				
Cash generated from operations	13	24.5	17.3	57.5
Interest paid		(5.1)	(5.1)	(10.8)
Interest received		0.2	0.2	0.5
Tax paid		(1.8)	(4.2)	(8.0)
Dividends received from joint venture and associated companies		-	-	0.0
Net cash from operating activities		17.8	8.2	39.2
Cash flows from investing activities				
Purchase of property, plant and equipment and intangibles		(12.3)	(16.3)	(27.9)
Capital grant received		-	-	0.4
Loan to joint venture company		(1.0)	(0.5)	(1.0)
Purchase of interest in joint venture undertaking		-	(2.1)	(4.9)
Purchase of interest in subsidiary undertaking (formerly joint venture)		(0.0)	-	-
Sale of property, plant and equipment		1.8	1.3	1.5
Sale of investment property		-	-	0.6
Net cash used in investing activities		(11.5)	(17.6)	(31.3)
Net cash inflow/(outflow) before financing activities		6.3	(9.4)	7.9
Cash flows from financing activities				
Loan drawdowns		7.0	27.0	15.0
Capital element of finance leases		-	-	(0.0)
Minority interest dividends paid		-	(1.5)	(1.5)
Equity dividends paid		(13.1)	(12.1)	(18.6)
Proceeds from sale of own shares held		0.0	0.4	0.4
Purchase of own shares held		-	(5.8)	(5.8)
Net cash (used in)/from financing activities		(6.1)	8.0	(10.5)
Increase/(decrease) in cash and cash equivalents	13	0.2	(1.4)	(2.6)
Cash and cash equivalents at start of period		4.7	7.3	7.3
Cash and cash equivalents at end of period		4.9	5.9	4.7

NOTES:

1. General information

Forth Ports PLC is a company incorporated in Scotland under the Companies Act 1985. The nature of the Group's operations and its principal activities are the provision of port, cargo handling, towage and related services and facilities. The Group also has extensive property interests.

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 11th September 2006.

2. Basis of preparation

The condensed financial statements for the half year ended 30th June 2006 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

As described in the full financial statements for the year ended 31st December 2005, the Group had to amend certain IAS 32 and IAS 39 adjustments at the year end that had been published in the Interim Report 2005 and had to amend other figures previously stated as prior year adjustments after clarification of the treatment of these balances.

Between the publication of the Interim Report 2005 and the Annual Report 2005, the Group received information needed to bring in its share of an associate's cash flow hedge reserve under IAS 32 and IAS 39. The effect of this at 30th June 2005 is to reduce the investment in associates by £0.1m and to increase the fair value reserve by the same amount. The taxation treatment of trade and other receivables under IAS 32 and IAS 39 was clarified and resulted in the Group reducing its current tax liabilities with a corresponding adjustment to retained earnings less the minority interest share. At 30th June 2005, the Group therefore reduced its current taxation liabilities by £1.5m. The minority interest share of the adjustment to trade and other receivables was £0.3m net of tax and the balance of £1.8m was taken to retained earnings. Following clarification of the taxation treatment of the revaluation of investment property, the Group increased its deferred tax provision by £1.3m at 30th June 2005. The Group also received clarification of the taxation treatment on the reversal of previous UK GAAP pension prepayments which resulted in the Group reducing its deferred tax provision by £1.3m at 30th June 2005. After publication of the 2005 Interim Report, the Group received information on the effect of transition to IFRS of one of its associated companies which resulted in an adjustment to retained earnings to bring in the Group's share of the deficit of £2.9m, net of deferred tax, on the associate's defined benefit pension scheme at 30th June 2005.

3. Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31st December 2005.

New standards, amendments to standards and interpretations which are mandatory for the financial year ending 31st December 2006 and have an impact on the Group are as follows:-

- IFRIC 4, (Determining whether an arrangement contains a Lease), effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with IAS 17 (Leases). However, these leases are operating leases, and their classification has had no impact on the expense recognised in respect of them.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:-

- IFRIC 7, (Applying the Restatement Approach under IAS 29), effective for annual periods beginning on or after 1st March 2006. Management does not expect the interpretation to be relevant for the Group;
- IFRIC 8, (Scope of IFRS 2), effective for annual periods beginning on or after 1st May 2006. Management is currently assessing the impact of IFRIC 8 on the Group's operations;
- IFRIC 9, (Reassessment of Embedded Derivatives), effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assesses if embedded derivatives should be separated using principles consistent with IFRIC 9; and

- IFRS 7, (Financial Instruments: Disclosures) and IAS 1, (Amendments to Capital Disclosures), both effective for annual periods beginning on or after 1st January 2007. The Group will assess the impact of IFRS 7 and the amendment to IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1st January 2007.

4. Segment information

Primary reporting format - business

For management purposes, the Group is organised into two business segments:

- (1) Port operations; and
- (2) Property.

The segment results for the period ended 30th June 2006 were as follows:-

	Port Operations £m	Property £m	Unaudited six months to 30.6.06 £m
Total gross segment revenue	68.3	4.1	72.4
Inter-segment revenue	<u>(0.2)</u>	-	<u>(0.2)</u>
Total revenue	<u>68.1</u>	<u>4.1</u>	<u>72.2</u>
Operating profit/Segment result before elimination of inter-segment charge	14.9	1.8	16.7
Inter-segment charge eliminated	<u>(0.2)</u>	<u>0.2</u>	-
Operating profit/Segment result	14.7	2.0	16.7
Finance income (Note 5)	0.2	1.6	1.8
Finance costs (Note 5)	(3.7)	(1.8)	(5.5)
Net share of results of joint ventures (Note 6)	(0.3)	(0.7)	(1.0)
Net share of results of associates (Note 7)	<u>0.9</u>	<u>(0.0)</u>	<u>0.9</u>
Profit before tax	<u>11.8</u>	<u>1.1</u>	12.9
Taxation			<u>(3.9)</u>
Profit for the period			<u>9.0</u>

The segment results for the period ended 30th June 2005 were as follows:-

	Port Operations £m	Property £m	Unaudited six months to 30.6.05 £m
Total gross segment revenue	62.7	0.8	63.5
Inter-segment revenue	<u>(0.3)</u>	—	<u>(0.3)</u>
Total revenue	<u>62.4</u>	<u>0.8</u>	<u>63.2</u>
Operating profit/(loss)/Segment result before elimination of inter-segment charge	13.9	(0.6)	13.3
Inter-segment charge eliminated	<u>(0.3)</u>	<u>0.3</u>	—
Operating profit/(loss)/Segment result	13.6	(0.3)	13.3
Finance income (Note 5)	0.3	2.1	2.4
Finance costs (Note 5)	(2.9)	(1.5)	(4.4)
Net share of results of joint ventures (Note 6)	0.0	(1.2)	(1.2)
Net share of results of associates (Note 7)	<u>0.7</u>	<u>(0.0)</u>	<u>0.7</u>
Profit/(loss) before tax	<u>11.7</u>	<u>(0.9)</u>	10.8
Taxation			<u>(3.3)</u>
Profit for the period			<u>7.5</u>

Inter-segment transfers and transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Other segment items included in the Condensed Consolidated Income Statement are as follows:-

	Port Operations £m	Property £m	Unaudited six months to 30.6.06 £m	Port Operations £m	Property £m	Unaudited six months to 30.6.05 £m
Depreciation of property, plant and equipment	(6.0)	(0.0)	(6.0)	(4.9)	(0.0)	(4.9)
Amortisation of intangibles	(0.5)	-	(0.5)	(0.3)	-	(0.3)
Amortisation of capital grants	0.3	-	0.3	0.4	-	0.4
Impairment of trade receivables	(0.0)	-	(0.0)	(0.0)	-	(0.0)

The segment assets and liabilities were as follows:-

	Port Operations £m	Property £m	Unaudited six months to 30.6.06 £m
Assets			
Segment assets	388.1	99.1	487.2
Joint ventures	14.3	11.6	25.9
Associates	<u>6.2</u>	<u>-</u>	<u>6.2</u>
Total assets	<u>408.6</u>	<u>110.7</u>	<u>519.3</u>
Liabilities			
Segment liabilities	217.5	55.0	272.5
Joint ventures	<u>-</u>	<u>0.5</u>	<u>0.5</u>
Total liabilities	<u>217.5</u>	<u>55.5</u>	<u>273.0</u>

	Port Operations £m	Property £m	Unaudited six months to 30.6.05 restated £m
Assets			
Segment assets	339.9	138.1	478.0
Joint ventures	14.5	9.6	24.1
Associates	<u>3.8</u>	<u>(0.4)</u>	<u>3.4</u>
Total assets	<u>358.2</u>	<u>147.3</u>	<u>505.5</u>
Total liabilities	<u>193.6</u>	<u>100.6</u>	<u>294.2</u>

Segment information for the year ended 31st December 2005 is as disclosed in the full financial statements.

Secondary reporting format - geographical segments

The Group operates principally in the UK, with the exception of the port operations joint venture company which operates in Ireland, Finland and Russia. The results and balances of the port operations joint venture company are not considered material and therefore a geographical segment analysis has not been provided.

5. Finance costs - net

Finance income and costs analysed by business segment are as follows:

	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Finance income			
Port operations			
- on bank and other deposits	0.2	0.3	0.5
Property			
- on bank and other deposits	0.0	0.0	0.0
- unwinding of discount on zero coupon loan stock at amortised cost	0.6	0.5	1.0
- unwinding of discount on long-term receivables at amortised cost	1.0	1.6	3.1
Total finance income	1.8	2.4	4.6
Finance costs			
Port operations			
- on bank loans	(3.6)	(2.8)	(6.7)
- on other loans	(0.0)	(0.0)	(0.0)
- on finance leases	(0.0)	(0.0)	(0.0)
- amortisation of loan arrangement fees	(0.1)	(0.1)	(0.2)
Property			
- on bank loans	(1.5)	(1.3)	(3.2)
- write down of zero coupon loan stock to amortised cost	(0.3)	(0.2)	(0.4)
- write down of long-term receivables to amortised cost	-	-	(0.3)
Total finance costs	(5.5)	(4.4)	(10.8)
Net finance costs			
Port operations	(3.5)	(2.6)	(6.4)
Property	(0.2)	0.6	0.2
	(3.7)	(2.0)	(6.2)

6. Share of results of joint ventures

	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Port operations			
Operating profit	0.1	0.2	0.6
Finance costs	(0.4)	(0.2)	(0.4)
Taxation	(0.0)	(0.0)	(0.1)
Group's share of results	(0.3)	0.0	0.1
Property			
Operating profit	1.0	0.8	3.8
Finance costs	(1.7)	(2.0)	(3.4)
Taxation	-	(0.0)	-
Group's share of results	(0.7)	(1.2)	0.4
Share of results of joint ventures - total	(1.0)	(1.2)	0.5

7. Share of results of associates

	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Port operations			
Operating profit	1.5	1.3	2.5
Finance costs	(0.2)	(0.2)	(0.4)
Taxation	(0.4)	(0.4)	(0.6)
Group's share of results	0.9	0.7	1.5
Property			
Operating loss	(0.0)	(0.0)	(0.1)
Finance costs	-	-	(0.2)
Taxation	-	-	-
Group's share of results	(0.0)	(0.0)	(0.3)
Share of results of associates - total	0.9	0.7	1.2

8. Profit before tax

Profit before tax is stated after charging/(crediting):

	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Severance costs	0.2	0.1	1.8
Abandonment costs	-	-	0.5
Increase in fair value of investment properties - other income	-	-	(28.0)

9. The taxation charge for the six months to 30th June 2006 has been provided on the basis of the estimated effective tax rate for the year to 31st December 2006 being 30%.
10. The basic earnings per share calculation is based on the weighted average of Ordinary Shares in issue in the six months ended 30th June 2006 of 45.3 million (2005 – 45.5 million). The diluted earnings per share figure is based on the weighted average of Ordinary Shares in issue adjusted for potential dilutive Ordinary Shares in the six months ended 30th June 2006 of 45.6 million (2005 – 45.8 million).

11. Movements in property, plant and equipment, investment property and intangible assets

	Property, plant and equipment £m	Investment property £m	Intangible assets £m
Six months ended 30th June 2005			
Opening net book amount at 1st January 2005	193.8	109.5	3.5
Capital grants received	(0.3)	-	-
Additions	17.1	-	0.7
Depreciation and amortisation (net of grant amortisation)	(4.5)	-	(0.3)
Disposals	<u>(0.2)</u>	<u>-</u>	<u>-</u>
Closing net book amount at 30th June 2005	<u>205.9</u>	<u>109.5</u>	<u>3.9</u>
Year ended 31st December 2005			
Opening net book amount at 1st January 2005	193.8	109.5	3.5
Capital grants received	(0.4)	-	-
Additions	26.6	-	1.5
Transfers between asset categories	(3.0)	0.5	-
Depreciation and amortisation (net of grant amortisation)	(9.9)	-	(0.8)
Disposals	(0.2)	(0.5)	-
Increase in fair value	<u>-</u>	<u>28.0</u>	<u>-</u>
Closing net book amount at 31st December 2005	<u>206.9</u>	<u>137.5</u>	<u>4.2</u>
Six months ended 30th June 2006			
Opening net book amount at 1st January 2006	206.9	137.5	4.2
Additions	9.2	-	0.3
Transfers between asset categories	-	(2.0)	-
Depreciation and amortisation (net of grant amortisation)	(5.7)	-	(0.5)
Disposals	<u>(1.8)</u>	<u>-</u>	<u>-</u>
Closing net book amount at 30th June 2006	<u>208.6</u>	<u>135.5</u>	<u>4.0</u>

12. Consolidated statement of changes in shareholders' equity

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital £m	Share premium £m	Own shares held £m	Fair value and other reserves £m	Retained earnings £m	£m	£m
Balance at 1st January 2005 as previously reported	22.8	18.2	(0.0)	16.3	173.4	4.4	235.1
Prior year adjustments -							
Bring in group share of associate's cash flow hedge reserve (IAS 32 and 39)	-	-	-	(0.1)	-	-	(0.1)
Adjustment to taxation on long-term receivables amortisation (IAS 32 and 39)	-	-	-	-	1.8	-	1.8
Bring in minority interest share of long-term receivables amortisation less tax thereon (IAS 32 and 39)	-	-	-	-	-	(0.3)	(0.3)
Adjustment to deferred tax on investment property revaluation gains (IAS 12)	-	-	-	-	(1.3)	-	(1.3)
Adjustment to deferred tax on reversal of UK GAAP pension prepayment (IAS 19)	-	-	-	-	1.3	-	1.3
Bring in group share of associate's defined benefit pension reserve (IAS 19)	-	-	-	-	(2.3)	-	(2.3)
Reversal of minority interest proposed dividend (IAS 10)	-	-	-	-	-	1.5	1.5
Balance at 1st January 2005 as restated	22.8	18.2	(0.0)	16.2	172.9	5.6	235.7
Share of joint venture's movement on cash flow hedge	-	-	-	(0.3)	-	-	(0.3)
Share of associate's movement on cash flow hedge	-	-	-	(0.0)	-	-	(0.0)
Actuarial losses on defined benefit pension schemes	-	-	-	-	(17.7)	-	(17.7)
Deferred tax on actuarial losses	-	-	-	-	5.5	-	5.5
Share of associate's actuarial loss on defined benefit pension scheme	-	-	-	-	(0.8)	-	(0.8)
Deferred tax on associate's actuarial loss	-	-	-	-	0.2	-	0.2
Net expense recognised directly in equity	-	-	-	(0.3)	(12.8)	-	(13.1)
Profit/(loss) for the period	-	-	-	-	7.5	(0.0)	7.5
Total recognised expense for the period	-	-	-	(0.3)	(5.3)	(0.0)	(5.6)
LTIP shares - value of services provided	-	-	-	-	0.1	-	0.1
SAYE scheme - value of services provided	-	-	-	-	0.1	-	0.1
Consideration received for own shares held	-	-	0.4	-	-	-	0.4
Consideration paid for own shares held	-	-	(5.8)	-	-	-	(5.8)
Dividends (less dividends received by employee share option plan trust)	-	-	-	-	(12.1)	(1.5)	(13.6)
Balance at 30th June 2005	22.8	18.2	(5.4)	15.9	155.7	4.1	211.3

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital £m	Share premium £m	Own shares held £m	Fair value and other reserves £m	Retained earnings £m	£m	£m
Balance at 1st July 2005	22.8	18.2	(5.4)	15.9	155.7	4.1	211.3
Share of joint venture's movement on cash flow hedge	-	-	-	0.5	-	-	0.5
Share of associate's movement on cash flow hedge	-	-	-	0.0	-	-	0.0
Corporation tax on excess pension contributions	-	-	-	-	0.7	-	0.7
Deferred tax on excess pension contributions	-	-	-	-	(0.7)	-	(0.7)
Actuarial gains on defined benefit pension schemes	-	-	-	-	1.5	-	1.5
Deferred tax on actuarial gains	-	-	-	-	(0.6)	-	(0.6)
Share of associate's actuarial gain on defined benefit pension scheme	-	-	-	-	0.7	-	0.7
Deferred tax on associate's actuarial gain	-	-	-	-	(0.2)	-	(0.2)
Net income recognised directly in equity	-	-	-	0.5	1.4	-	1.9
Profit for the period	-	-	-	-	36.8	0.1	36.9
Total recognised income for the period	-	-	-	0.5	38.2	0.1	38.8
LTIP shares - value of services provided	-	-	-	-	0.2	-	0.2
SAYE scheme - value of services provided	-	-	-	-	0.1	-	0.1
Dividends (less dividends received by employee share option plan trust)	-	-	-	-	(6.5)	-	(6.5)
Balance at 31st December 2005	22.8	18.2	(5.4)	16.4	187.7	4.2	243.9
Share of joint venture's movement on cash flow hedge	-	-	-	0.7	-	-	0.7
Share of associate's movement on cash flow hedge	-	-	-	0.0	-	-	0.0
Actuarial gains on defined benefit pension schemes	-	-	-	-	7.1	-	7.1
Deferred tax on actuarial gains	-	-	-	-	(2.1)	-	(2.1)
Share of associate's actuarial gain on defined benefit pension scheme	-	-	-	-	0.6	-	0.6
Deferred tax on associate's actuarial gain	-	-	-	-	(0.2)	-	(0.2)
Net income recognised directly in equity	-	-	-	0.7	5.4	-	6.1
Profit for the period	-	-	-	-	9.0	0.0	9.0
Total recognised income for the period	-	-	-	0.7	14.4	0.0	15.1
LTIP shares - value of services provided	-	-	-	-	0.2	-	0.2
SAYE scheme - value of services provided	-	-	-	-	0.1	-	0.1
Consideration received for own shares held	-	-	0.0	-	-	-	0.0
Dividends (less dividends received by employee share option plan trust)	-	-	-	-	(13.0)	-	(13.0)
Balance at 30th June 2006	22.8	18.2	(5.4)	17.1	189.4	4.2	246.3

13. Reconciliation of profit before tax to cash generated from operations

	Unaudited six months to 30.6.06 £m	Unaudited six months to 30.6.05 £m	Audited year to 31.12.05 £m
Profit before tax	12.9	10.8	58.3
Adjustments for:			
- increase in fair value of investment properties	-	-	(28.0)
- net finance costs	3.7	2.0	6.2
- share of results of joint ventures	1.0	1.2	(0.5)
- share of results of associates	(0.9)	(0.7)	(1.2)
- depreciation of property, plant and equipment and amortisation of intangibles	6.2	4.8	10.7
- unrealised profit eliminations	-	(0.1)	(0.1)
- gain on sale of property, plant and equipment	(0.0)	(0.1)	(0.2)
- gain on sale of investment property	-	-	(0.1)
- (decrease)/increase in provisions	(0.2)	0.0	0.9
- (decrease)/increase in retirement benefit obligations	(2.4)	0.5	(2.4)
- transfer of property, plant and equipment to inventories	-	-	2.5
- transfer of investment property to inventories	2.0	-	-
- transfer from joint ventures to investment in subsidiary	0.1	-	-
Movement in working capital:			
(Increase)/decrease in inventories	(4.9)	(4.5)	1.1
Decrease in receivables	8.8	8.9	17.9
Decrease in payables	(1.8)	(5.5)	(7.6)
Cash generated from operations	24.5	17.3	57.5

Reconciliation of increase/(decrease) in cash and cash equivalents to movement in net debt

Increase/(decrease) in cash and cash equivalents	0.2	(1.4)	(2.6)
Cash inflow from increase in borrowings	(7.0)	(27.0)	(15.0)
Change in net debt resulting from cash flows	(6.8)	(28.4)	(17.6)
Amortisation of loan arrangement fees	(0.1)	(0.1)	(0.2)
Movement in net debt	(6.9)	(28.5)	(17.8)
Opening net debt	(179.6)	(161.8)	(161.8)
Closing net debt	(186.5)	(190.3)	(179.6)

14. Analysis of changes in net debt

	At 1.1.06 £m	Cash flow £m	Other movement £m	At 30.6.06 £m
Cash at bank and on deposit	4.7	0.2	-	4.9
Debt due outwith one year	(184.3)	(7.0)	(0.1)	(191.4)
Borrowings - finance leases	(0.0)	-	-	(0.0)
Total net debt	(179.6)	(6.8)	(0.1)	(186.5)

The other movement of £0.1m related to the amortisation of arrangement fees for bank facilities.

15. Dividends per share

	Unaudited six months to 30.6.06 pence	Unaudited six months to 30.6.05 pence	Audited year to 31.12.05 pence
Dividends per share			
Final dividend 2005	28.7	-	-
Final dividend 2004	-	26.6	26.6
Interim dividend 2005	-	-	14.3
	28.7	26.6	40.9
	£m	£m	£m
Total paid in respect of dividends (less dividends received by employee share option plan trust)			
Final dividend 2005	13.0	-	-
Final dividend 2004	-	12.1	12.1
Interim dividend 2005	-	-	6.5
	13.0	12.1	18.6

A dividend of 15.0p per share totalling £6.8m is proposed as the interim dividend for 2006. This has not been provided for in the condensed financial statements.

16. Related party transactions

During the six month period ended 30th June 2006, the Group entered into material transactions with related parties as follows:

Nature of Transactions and Related Party	Nature of Relationship	Value of Transactions 2006 £m	Value of Transactions 2005 £m	Amount Receivable at 30.6.06 £m	Amount Receivable at 30.6.05 £m
Management charges, port and other charges					
Ocean Terminal Group	Joint venture companies	1.0	1.0	0.3	0.2
Tilbury Container Services Limited	Associated company				
Multi-Link Terminals Limited	Joint venture company				
Sale of land					
F.M. Dundee Limited	A Director of F.M.	-	-	10.2	13.7
F.M. Homes Limited	Dundee Limited, F.M.				
F.M. Granton Limited	Homes Limited and F.M. Granton Limited is the brother-in-law of Bill Harkness, one of the Non-Executive Directors of the Group				

The Group has taken advantage of the exemption from disclosing intra-Group transactions as permitted by IAS 24 (Related Party Disclosures).

Bill Harkness disclosed his relationship to the counterparties and confirmed he had no financial interest in the sales to F.M. Dundee Limited, F.M. Homes Limited and F.M. Granton Limited arising therefrom.

17. Condensed financial statements

The condensed financial statements are unaudited but have been formally reviewed by the Auditors and their report to the Company is set out on page 23. The financial information contained in this statement does not comprise statutory accounts within the meaning of the phrase as referred to in section 240 of the Companies Act 1985. Full accounts for the year ended 31st December 2005 have been filed with the Registrar of Companies. The report of the Auditors on these accounts was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

The maintenance and integrity of the Forth Ports PLC website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the Interim Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

18. The interim statement will be posted to shareholders on 14th September 2006. Copies will be available from the Company's registered office, Forth Ports PLC, 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.

INDEPENDENT REVIEW REPORT TO FORTH PORTS PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30th June 2006 which comprises the condensed consolidated income statement, condensed consolidated statement of recognised income and expense, condensed consolidated balance sheet as at 30th June 2006, condensed consolidated cash flow statement, and associated notes. We have read the other information contained in the condensed financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting".

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh

11th September 2006